GOVERNMENT OF INDIA
MICRO, SMALL AND MEDIUM ENTERPRISES
LOK SABHA

UNSTARRED QUESTION NO:2672
ANSWERED ON:18.03.2008
GRANTS TO KHADI AND VILLAGE INDUSTRIES
Reddy Shri Karunakara G.

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) whether the Government has stopped the Budgetary support, grants, interests free loans and rebate to Khadi and Village Industries;

(b) if so, the details thereof and reasons therefor;

(c) whether Khadi and Village Industries is now facing a serious crisis resulting in closure of units and massive unemployment;

(d) if so, the details thereof;

(e) whether the Government is considering any new policy to revive and revitalise the Khadi and Village Industries; and

(f) if so, the details thereof?

Answer

MINISTER FOR MICRO, SMALL AND MEDIUM ENTERPRISES(SHRI MAHABIR PRASAD)

(a) : No, Sir. The khadi and village industries sector has continued to receive priority as can be judged from the fact that budgetary allocation has increased from R. 340.55 crore (actual) in 2002-03 to Rs. 653.15 crore in 2007-08 (Revised Estimates). Government continues to provide budgetary support in the form of grants, rebate on sale of khadi and polyvastra, and khadi loan to the khadi and village industries (KVI) through the Khadi and Village Industries Commission (KVIC). Loans to the village industry sector earlier available have however, been discontinued and were replaced by a credit linked subsidy scheme called "Rural Employment Generation Programme (REGP)" which was introduced for implementation with effect from 1st April, 1995.

(b): The High Power Committee on Khadi and Village Industries in its report submitted in 1994 had observed that KVIC has not been conceived as a financial institution and had accordingly recommended that the Commission should devote more time to the development of infrastructure, policy planning, training, etc., rather than financing new institutions. Accordingly, in order to improve the quality of the project proposals for establishing rural industries, REGP was introduced, under which the loan proposals are appraised by the Banks which are responsible for the recovery of credit extended by them.

(c): No, Sir.

(d): Does not arise.

(e) & (f): Yes, Sir. The Government has formulated some proposals for introducing new schemes to further strengthen and revitalize the KVI sector. The details and expected benefits of these new schemes under consideration in KVI sector are given at Annex.